

Message Text

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TO AMEMBASSY OTTAWA

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TAGS: EAIR, EGEN, CA

SUBJECT: CANADIAN AEROSPACE INDUSTRY

1. PURSUANT TO UNDERSTANDING REACHED DURING O'CONNOR'S RECENT WASHINGTON CONSULTATIONS FOLLOWING ARE SEVERAL QUESTIONS RELATING TO DEVELOPMENTS IN THE CANADIAN AEROSPACE INDUSTRY.

2. QUOTE: AFTER BUYING CANADAIR LTD., AND DE HAVILLAND AIRCRAFT OF CANADA FROM THEIR FORMER FOREIGN OWNERS, OTTAWA HOPED TO SELL THE COMPANIES TO PRIVATE INVESTORS; TO DATE THEY ARE STILL UNDER GOVERNMENT CONTROL. WHAT PROGRESS IS OTTAWA MAKING TOWARD DIVESTITURE? DOES OTTAWA INTEND TO INCLUDE OTHER FIRMS UNDER PLANS TO REORGANIZE THE INDUSTRY? IS THE GOVERNMENT SUBSIDIZING THE OPERATIONS OF THE TWO COMPANIES? IF SO, TO WHAT EXTENT? WHAT EFFECT WILL THE LOCKHEED LRPA CONTRACT HAVE ON EMPLOYMENT LEVELS AT CANADAIR?

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3. WAGE GAINS WON BY CANADIAN MANUFACTURING WORKERS SINCE

1974 HAVE PUSHED UNIT LABOR COSTS ABOVE THOSE IN THE UNITED STATES. TO WHAT EXTENT HAVE CANADIAN AIRCRAFT MANUFACTURERS BEEN HURT BY RISING UNIT LABOR COSTS? HOW HAS THE INDUSTRY'S INTERNATIONALLY COMPETITIVE POSITION BEEN AFFECTED?

4. THE DASH-7 STOL AIRCRAFT FIGURES PROMINENTLY IN OTTAWA'S HOPES FOR REVITALIZING THE AIRCRAFT INDUSTRY. THE AIRCRAFT, PRODUCED BY DE HAVILLAND OF CANADA, IS EXPECTED TO BE A HOT EXPORT ITEM AS WELL AS A MOVER IN DOMESTIC MARKETS; PLEASE REPORT ON ANY SALES OF THE AIRCRAFT. ARE DOMESTIC FEEDER AIRLINES BUYING THE DASH-7? WHICH FOREIGN COUNTRIES ARE PURCHASING THE AIRCRAFT? HOW AND WHERE IS OTTAWA PUSHING SALES OF THE AIRCRAFT?

5. IN ADDITION TO BUYING LONG-RANGE PATROL AIRCRAFT FROM LOCKHEED, CANADA IS ALSO EXPECTED TO SEEK REPLACEMENTS FOR ITS AGING FIGHTER AIRCRAFT IN THE NEXT SEVERAL YEARS. AS YET, OTTAWA HAS NOT MADE ANY MOVES, LARGELY BECAUSE DEFENSE PROCUREMENT FUNDS ARE TIGHT. HAVE THE PLANS FOR NEW FIGHTER AIRCRAFT BEEN SHELVED OR POSTPONED? IF POSTPONED, FOR WHAT LENGTH OF TIME?

6. THE CANADIAN GOVERNMENT HAS BEEN PRESSING CANADIAN AIRLINES TO INCREASE USE OF DOMESTIC OVERHAUL AND MAINTENANCE FACILITIES, ALTHOUGH IT WOULD COST THEM MORE TO DO SO THAN HAVING THE WORK PERFORMED IN THE UNITED STATES. OTTAWA HAS ALSO ASKED DOMESTIC AIRLINES TO REQUIRE OFFSETS WHEN THEY NEGOTIATE CONTRACTS TO PURCHASE FOREIGN AIRCRAFT. WHAT SUCCESS HAS OTTAWA HAD IN PUSHING THESE POLICIES WITH THE AIRLINES? WHAT FIRMS WOULD BE THE MAJOR BENEFICIARIES OF THESE POLICIES? PLEASE REPORT ON ANY INSTANCES IN WHICH THE POLICIES MAY HAVE BEEN EMPLOYED.

7. SEVERAL SMALL AIRCRAFT MANUFACTURERS HAVE BEEN EXPERIENCING FINANCIAL DIFFICULTIES FOR SEVERAL YEARS. CUTBACKS IN GOVERNMENT R AND D EXPENDITURES AND THE LOSS OF SUBSIDIES FURTHER THREATEN THE FIRMS. WHAT IS THE CURRENT STATUS OF MANUFACTURERS SUCH AS SAUNDERS AIRCRAFT AND TRIDENT AIRCRAFT? ARE THEY LOSING BUSINESS TO DE HAVILLAND

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AND CANADAIR--THE GOVERNMENT-OWNED FIRMS?

8. WHAT INFORMATION IS AVAILABLE THAT THE SOVIET YAK 40 TRIJET (STOL) IS TO BE MARKETING BY A CANADIAN FIRM DOMESTICALLY AND FOR EXPORT? IS THERE ANY INDICATION THAT THE CANADIAN AIRCRAFT INDUSTRY WOULD PARTICIPATE IN THE MODIFICATIONS THAT WOULD BE REQUIRED FOR THE AIRCRAFT TO GAIN AIR WORTHINESS CERTIFICATION?: UNQUOTE. KISSINGER

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